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FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 9878
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RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEKJCS/OSD WASHINGTON DC
RUEKJCS/JOINT STAFF WASHINGTON DC
RUEKJCS/SECDEF WASHINGTON DC
RUEABND/DEA HQS WASHINGTON DC
RHMFIUU/HQ USCENTCOM MACDILL AFB FL
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 4201
RUEHFR/AMEMBASSY PARIS 2978
RUEHML/AMEMBASSY MANILA 1604
RUEHBY/AMEMBASSY CANBERRA 0269
RUEHOT/AMEMBASSY OTTAWA 1389
RUEHNE/AMEMBASSY NEW DELHI 7110
RUEHJA/AMEMBASSY JAKARTA 0055
RUEHRL/AMEMBASSY BERLIN 2103
RUEHUL/AMEMBASSY SEOUL 0076
RUEHLO/AMEMBASSY LONDON 3749
RUEHKO/AMEMBASSY TOKYO 1948

UNCLAS SECTION 01 OF 02 KABUL 002852

SIPDIS

DEPT FOR SCA/FO, SCA/RA, AND SCA/A (A/S BOUCHER, GASTRIGHT, DEUTSCH)
DEPT PASS AID/ANE, OPIC
DEPT PASS USTR FOR GERBER AND KLEIN
DEPT PASS OPIC FORZAHNISER
DEPT PASS TDA FOR STEIN AND GREENIP
CENTCOM FOR CG CFC-A, CG CJTF-76, POLAD, JICENT
NSC FOR AHARRIMAN
TREASURY FOR ABAUKOL AND BDAHL
MANILA PLEASE PASS ADB/USED
PARIS FOR OECD/ENERGY ATTACHE
OSD FOR SHIVERS, SHINN
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH
TOKYO ALSO FOR AID COUNSELOR AANENSON

SENSITIVE
SIPDIS

E.O. 12958 N/A
TAGS: [ENRG](#) [EFIN](#) [EPET](#) [ETRD](#) [KPWR](#) [EAID](#) [PGOV](#) [AF](#)
SUBJECT: AF: Sheberghan project on schedule despite ADB pull out.

REF: Kabul 1982 and previous

Sensitive but Unclassified
Manila see Action Request at para 5.

Sheberghan Power Plant project back to original blueprint.

1. (SBU) SUMMARY: The Asian Development Bank (ADB) has pulled out of a proposed project for the comprehensive development of northwest Afghanistan's most promising gas fields in the Amu Darya basin, near the site of the proposed Sheberghan power plant (reftel), despite an agreement to combine funds in a joint project. In a letter to USAID dated July 31, ADB cited internal policies prohibiting cooperation with Louis Berger Group, half of the joint-venture contractor selected for the project. The joint project would have saved close to USD 4 million for USAID and ADB in mobilization and supervision costs. Despite the loss of these cost savings, the USAID project to rehabilitate three gas fields for the exclusive purpose of fueling the Sheberghan power plant is proceeding apace, with a contractor expected in the field by early December.

Joint project proposal runs into technical snag.

¶2. (SBU) The proposed joint USAID-ADB project (reftel) to develop the Amu Darya gas fields was born of Minister of Mines Ibrahim Adel's frustration with the lack of ADB progress on a USD 24 million loan, approved in 2003, for the rehabilitation of gas fields in the Amu Darya basin and the rehabilitation of the pipeline connecting Sheberghan and Mazar-i-Sharif. USAID, already committed to rehabilitating three gas fields to identify gas reserves for the proposed Sheberghan 100 MW electric power plant, saw the possibility of reducing costs and spurring the ADB bureaucracy into speedier action. The USG, encouraged by the Ministry of Mines, approached ADB's representatives with a proposal in May 2007, and struck a tentative agreement increasing the project's scope with ADB's funds.

¶3. (SBU) In a letter dated July 31, 2007, ADB informed USAID that following an internal review, ADB had determined it could not participate in a combined project. The reason given was that Louis Berger Group Inc., one of the two joint venture partners set to implement the project, was "currently under sanction by ADB and, as such, we have now confirmed that they are ineligible to participate in ADB-financed activities." Although various scenarios were examined to determine if this decision could be altered without further delaying the start of the project, it was decided that USAID would proceed with its Sheberghan project without ADB funds. We understand that ADB plans to proceed with its USD 24 million project as originally envisioned.

KABUL 00002852 002 OF 002

Project proceeding apace.

¶4. (SBU) USAID's contractor announced the USD 12 million project tender on July 31, with a closing date of September 12. Of the 30 companies contacted by the contractor regarding the project, twelve have expressed interest and are expected to submit a bid. Additional funds may become available to increase the number of wells to be explored and rehabilitated from three to seven. Barring any unforeseen difficulties, USAID expects a contractor in the field by early December. A report on the status of the wells and the supply of natural gas available for the powering of the proposed Sheberghan power plant is expected in May/June of 2008.

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